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BEFORE THE ARIZONA CORPORATION COMMISSION  
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3 COMMISSIONERS

4 MIKE GLEASON, Chairman  
5 WILLIAM A. MUNDELL  
6 JEFF HATCH-MILLER  
7 KRISTIN K. MAYES  
8 GARY PIERCE

2007 OCT 30 P 3: 38

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Arizona Corporation Commission  
DOCKETED

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9 IN THE MATTER OF THE APPLICATION OF  
10 GOLD CANYON SEWER COMPANY, AN  
11 ARIZONA CORPORATION, FOR A  
12 DETERMINATION OF THE FAIR VALUE OF  
13 ITS UTILITY PLANT AND PROPERTY AND  
14 FOR INCREASES IN ITS RATES AND  
15 CHARGES FOR UTILITY SERVICE BASED  
16 THEREON.

DOCKET NO. SW-02519A-06-0015

STAFF'S NOTICE OF FILING  
RESPONSIVE REHEARING TESTIMONY

17 Staff of the Arizona Corporation Commission ("Staff") hereby files the Responsive Rehearing  
18 Testimony of Crystal S. Brown of the Utilities Division in the above-referenced matter.

19 RESPECTFULLY SUBMITTED this 30<sup>th</sup> day of October 2007.

20  
21 

22 Keith A. Layton, Attorney  
23 Robin R. Mitchell, Attorney  
24 Legal Division  
25 Arizona Corporation Commission  
26 1200 West Washington Street  
27 Phoenix, Arizona 85007  
28 (602) 542-3402

Original and thirteen (13) copies  
of the foregoing filed this 30<sup>th</sup>  
day of October, 2007 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

...

1 Copies of the foregoing e-mailed/  
2 mailed this 30<sup>th</sup> day of October,  
3 2007 to:

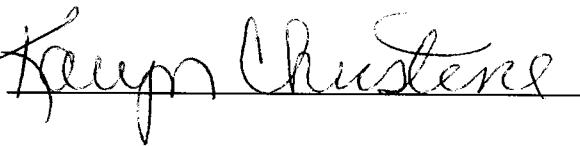
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Handwritten signature of Karen Christensen.

**RESPONSIVE**

**TESTIMONY**

**OF**

**CRYSTAL S. BROWN**

**DOCKET NO. SW-02519A-06-0015**

**IN THE MATTER OF THE APPLICATION  
OF GOLD CANYON SEWER COMPANY  
FOR A DETERMINATION OF THE FAIR VALUE  
OF ITS UTILITY PLANT AND PROPERTY  
AND FOR INCREASES IN ITS RATES AND CHARGES  
FOR UTILITY SERVICE BASED THEREON**

**OCTOBER 30, 2007**

**BEFORE THE ARIZONA CORPORATION COMMISSION**

MIKE GLEASON

Chairman

WILLIAM A. MUNDELL

Commissioner

JEFF HATCH-MILLER

Commissioner

KRISTIN K. MAYES

Commissioner

GARY PIERCE

Commissioner

IN THE MATTER OF THE APPLICATION OF )  
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\_\_\_\_\_)

DOCKET NO. SW-02519A-06-0015

RESPONSIVE

TESTIMONY

OF

CRYSTAL S. BROWN

PUBLIC UTILITIES ANALYST V

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

OCTOBER 30, 2007

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**EXECUTIVE SUMMARY**  
**GOLD CANYON SEWER COMPANY**  
**DOCKET NO. SW-02519A-06-0015**

Staff recommends that \$69,372 for unsupported rate case legal expense of the original rate case be removed. For the rehearing rate case expense, Staff recommends that all unsupported costs, all affiliate direct labor costs, profit, and certain overhead costs (as identified in Staff's surrebuttal testimony) be disallowed.

1 **INTRODUCTION**

2 **Q. Please state your name, occupation, and business address.**

3 A. My name is Crystal Brown. I am a Public Utilities Analyst V employed by the Arizona  
4 Corporation Commission ("ACC" or "Commission") in the Utilities Division ("Staff").  
5 My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

6  
7 **Q. Are you the same Crystal Brown who filed testimony in this case?**

8 A. Yes.  
9

10 **PURPOSE OF RESPONSIVE TESTIMONY**

11  
12 **Q. What is the purpose of your responsive testimony in this proceeding?**

13 A. The purpose of my responsive testimony in this proceeding is to present, on behalf of  
14 Staff, recommended adjustments for the legal fees pertaining to the rate case expense of  
15 the original case and Staff's recommendations for all areas of rate case expense related to  
16 the rehearing of Gold Canyon Sewer Company, Inc. ("Gold Canyon" or "Company").  
17

18 **RATE CASE EXPENSE, LEGAL FEES FROM ORIGINAL CASE**

19  
20 **Q. Did Staff perform an audit of rate case expense in the original Gold Canyon rate  
21 proceeding?**

22 A. No. Due to time and staffing constraints, Staff did not perform an audit of rate case  
23 expense. Staff recommended no adjustments to the Company's proposed \$160,000 in rate  
24 case expense.

1 **Q. For the responsive testimony in this rehearing, did Staff audit the legal fees included**  
2 **in rate case expense for the original Gold Canyon rate proceeding?**

3 A. Yes.  
4

5 **Q. What is Staff's recommended adjustment to the legal fees pertaining to the original**  
6 **case?**

7 A. Staff recommends that \$69,372 for unsupported rate case legal expense of the original  
8 \$160,000 rate case expense be removed.  
9

10 **Q. For this rehearing, did Staff issue a data request for the redacted legal fees**  
11 **pertaining to the original case?**

12 A. No, Staff utilized the redacted invoices provided to RUCO's data request 1.13 received on  
13 April 21, 2006 and supplemented on August 16, 2006.  
14

15 **Q. Based on these invoices, did Staff audit the legal fees?**

16 A. Yes.  
17

18 **Q. How did Staff audit the legal fees included in the original case rate case expense?**

19 A. First, Staff determined whether or not it had invoices to support the total \$160,000  
20 Company proposed rate case expense amount. This process was necessary in order to  
21 determine whether Staff had all of the legal invoices. Staff found that the invoices  
22 provided did not support the total \$160,000 claimed amount. The invoices totaled  
23 \$47,988.76 as follows: \$10,962.50, from the Company's affiliate; \$18,146.65, from  
24 Thomas Bourassa; and \$18,146.65 from Fennemore Craig. Staff removed all unsupported  
25 amounts.



1     **Q.     Did the Company later provide a supplement to RUCO's data request 1.13?**

2     A.     Yes. The Company provided a supplement on August 16, 2006. The additional invoices  
3             provided together with the first set of invoices did not total the Company's \$160,000 in  
4             rate case expense. The supplemental invoices total \$61,148 as follows: \$34,932 from  
5             Gold Canyon's affiliate; \$24,324 from Fennemore Craig; \$1,896 from Thomas Bourassa.

6  
7     **Q.     Did Staff contact RUCO to determine whether they had received additional**  
8             **supplements?**

9     A.     Yes, Staff contacted RUCO and determined that they had received no additional  
10            supplements.

11  
12    **Q.     Since the invoices that Staff has received is approximately \$50,863 less than the**  
13            **\$160,000 proposed by the Company, can Staff be certain that it has received all of the**  
14            **Company's legal invoices?**

15    A.     No, Staff cannot be certain that it has received all of the legal invoices.

16  
17    **Q.     What amount in redacted legal invoices and unsupported legal invoices does Staff**  
18            **recommend be removed?**

19    A.     Staff recommends \$18,509 in redacted and \$50,863 for missing and/or unsupported  
20            invoices be removed, for a total of \$69,372.

21  
22    **Q.     Has Staff requested the unredacted legal invoices?**

23    A.     Yes. Staff requested the unredacted invoices in data request CSB 1.1.

24  
25    **Q.     Has Staff filed a Motion to Compel to obtain the unredacted invoices?**

26    A.     Yes. The Administrative Law Judge has directed the parties to meet and to confer.

1 **Q. What is going on currently regarding Staff's audit of the unredacted invoices?**

2 A. Staff has considered going on-site and is in the process of making arrangements for the  
3 audit with the Company.

4

5 **RATE CASE EXPENSE, REHEARING RATE CASE EXPENSE**

6

7 **Q. Will the Company seek to recover rate case expense for the rehearing?**

8 A. Yes, in response to data request CSB 1.2, the Company stated that it will seek recovery.

9

10 **Q. Has Staff requested invoices to support the rehearing rate case expense?**

11 A. Yes. Staff requested the invoices in data request CSB1.1.

12

13 **Q. Has the Company provided any invoices pertaining to the rehearing rate case  
14 expense?**

15 A. No, it has not.

16

17 **Q. Does Staff have any recommendations concerning rate case expense related to the  
18 rehearing?**

19 A. Yes, Staff recommends that all unsupported costs (e.g., redacted legal invoices) be  
20 disallowed. Also, Staff recommends that all affiliate direct labor costs, profit, and certain  
21 overhead costs (as identified in Staff's surrebuttal testimony) be removed. The affiliate  
22 direct labor costs are included in test year operating expenses as all additional hours  
23 worked during the test year that were in excess of an eight-hour day (or 2,080<sup>1</sup> hours).  
24 Moreover, the affiliate profit and overhead costs are not needed in the provision of  
25 service.

---

<sup>1</sup> 80 hours per week x 26 pay periods per year = 2,080 annual hours

1    **Q.    Does this conclude your responsive testimony?**

2    **A.    Yes, it does.**